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WHY THE CHINESE OPPOSE FOREIGN RAILWAY LOANS

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When the report of Chinese opposition against foreign loans reaches the western world, a certain class of people at once call such opposition the outcome of the historical anti-foreign feeling, oriental exclusiveness, self-conceit, and Boxerism. They assume that the Chinese have no grievance at all, and that these orientals "kick" simply because they are self-conceited heathens who do not know what is good for them. The more representative class, however, do not unreservedly subscribe to this opinion. They interpret the opposition as a manifestation of "Chinese nationalization." Thus the New York *Tribune* in an editorial calls the recent opposition to the Hankow-Szechuan loan as "a strikingly characteristic manifestation of the rampant spirit of 'China for the Chinese' which prevails in large parts of the country."

There is much truth in this interpretation. But it points to only one of the many phases of the case. It is, therefore, inadequate to explain the whole situation and is misleading when taken as the premise for the solution of the problem. In order to understand fully and estimate aright these oppositions which are likely to exist in the future, we should examine closely the underlying causes from all points of view.

Before citing some of the most important of these causes, we must, however, notice that a foreign railway loan in China is entirely different from what it is in the United States. Here foreign loans are made by the issue of bonds which are placed on the market as a purely financial undertaking; but there it is made only through complicated diplomatic negotiations, involving

both national and international politics. In this country the borrower, whether public or private, determines the amount to be borrowed and the rate of interest to be offered, according to the market conditions, as a purely financial deal; but there the jealous powers determine the amount of the loan, the rate of interest, and also name the creditors. When China wants to make a foreign loan, she has on the one hand to observe the doctrine of equal opportunities, and on the other hand to listen to the claims for special privileges. Placed between these obstacles, she has often contracted loans which proved objectionable at least to the people.

Foreign capital is needed in order to build the railways of which the people themselves feel the need. Nor, indeed, are the loans in themselves altogether objectionable; but the people resent the provisions of the contracts and the manner in which these contracts are interpreted and carried out.

First of all I must confess that China herself is much to blame for the opposition. Her officials and her financial administration have often called forth distrust. The reported corruption connected with the negotiation of some of the foreign loans has been one of the most flagrant causes. Both our officials and some foreign powers have been accused by the people of being guilty in this connection. While I do not believe that all the suspicion of the people is justifiable, I cannot but feel that there must be some reason which leads the people again and again to assert that certain powers have often employed, with great success, the offer of "presents" to the Chinese negotiators. Some loans are known to have been concluded largely because the selfish designs of those in charge of the negotiations were satisfied. The highest official in the Empire was reported to have said that he knew that "squeezing" for personal profits by those in charge of foreign loans existed. The government herself once admitted the principle that her "officials were incompetent to administer honestly the proceeds of a foreign loan to the satisfaction of the investors, and having once placed her financial probity in question, she has been forced through successive similar agreements to follow a practice which no other nation in the world would tolerate for

an instant." It is hard to tell how much corruption has actually existed among the officials in negotiating foreign loans; it is still more difficult to determine to what extent some of the foreign powers really have resorted to the practice of bribing in securing privileges; but it is an undeniable fact that the belief of the existence of such corruption has been one of the most irritating causes.

Aside from this suspected corruption, the people also believe that under the present financial condition it is unsafe to add any more loans to China's heavy debt. The conservation of China which is as well recognized by the Chinese as by foreigners, is at the present moment threatened chiefly by the chaotic condition of her national finance. Foreign loans, as has been remarked, always involve international complications; and in a country like China no one knows what in certain eventualities such complications are likely to involve. This situation is aggravated by the policies and practice of certain European powers. Thus a *Times* correspondent says in unmistakable words, that "the alacrity with which Germany seized Kiaochow and laid hand on Shantung . . . should remind China and others besides China of the dangers to which she would be exposed should the reckless borrowing . . . lead to national bankruptcy." These fears constantly hang on the minds of the Chinese people. They feel that, because of China's present financial condition, every additional foreign loan adds so much danger and introduces so much excuse for aggression.

On the other hand the foreign powers also seem to be responsible for the opposition. They appear to follow different principles in dealing with China in such financial matters from those they follow in dealing with each other. They often disregard, or at least seem to forget, her complete freedom as a sovereign in making loans. Coercion and pressure are sometimes brought to bear upon her negotiators, to say nothing of the numerous claims and counterclaims made under the guise of equal opportunities and special privileges. China enters into negotiations with the capitalists as contracting parties of the same status, while the powers watch over the transaction and interfere as if they were superiors to both these contracting parties. Loans are made only through

the intervention of the foreign office of some powers. Diplomatic representation is not only the first step, but the sole means by which foreign capitalists deal with China. The diplomatic officers, as in the middle ages, seem to lower their dignity and become representatives of these financiers in seeking concessions. What Dr. Drago said of the unwarranted intervention of the Europeans in South America may also be said of what exists in China. This intervention, moreover, often can find no justification in principle but is based purely on force and on a failure to recognize the complete sovereignty of China. The Chinese people consequently ask: Why do these foreign powers treat China differently from the way they treat each other? They naturally resent such unwarranted interference.

Moreover, the people believe that the foreign powers in "forcing" loans upon China have ulterior motives. They think that it could hardly be consistent with the dignity of a nation to make so much effort, as some of the powers do, in helping their subjects to lend money to China, were there no other motives behind the loan itself. Thus one of the leading Chinese papers in an editorial says, "To get around the moral restrictions agreed to by the powers in respect to the integrity of China, now some of these powers use the apparently innocent, but most effective and treacherous pretext of financing our railroads to satisfy their wanton hunger for territorial aggression. Under the excuse of equal opportunities, they force their capital into our country, obviously for devious purposes. Open and abrupt seizure of our land is easier to prevent than this slow, hidden advance. . . . Their power follows their capital!" In short, the Chinese see the ambitious rivals seeking to drive a wedge further and further into their territory through the employment of subterfuge in the form of loans.

Not only have the Chinese noticed these ulterior motives, but European observers also have acknowledged them. Thus in speaking of the Shanghai-Nanking railway, one writer says, "But this is not a question merely of a railway, or even of a railway with the most brilliant prospects. If the Shanghai-Nanking railway were only that, it would not be entitled to our notice.

But by the unanimous agreement of all competent authorities on China, railways in that Empire signify *power* and *influence*. Along the route and in the region through which they pass will spread the reputation, *power* and *influence* of the *race* that directs their destiny and operation.”¹ He may have well added that financial control of a railway in China by a foreign power eventually means the political control of that railway and its adjoining territory.

Nor are the fears of the Chinese people entirely imaginary. There are already not only unmistakable expressions in Europe in favor of seizing Chinese territory, but there are also many consummations of these expressions. Beginning at the extreme south, we find nearly all the valuable ports of China are either taken away by brutal force or “leased” from her, until to-day with a coast line of some 3000 miles, she cannot find a decent harbor for a naval base. Therefore, the people fear that under the cover of financial intervention, which is surely to follow financial transactions, the yearnings evidenced by these expressions and acts of the powers may be suddenly stimulated and gratified.

Moreover, the past history of railways in China augments the people’s fear of the ulterior motives of the foreign powers. They see that Germany in Shantung, by building the Chinan-Kiaochow railway has grasped the mining and many other privileges, and at the same time threatened the integrity of that province. They also see that it was the eastern Chinese railway which led to the occupation of Manchuria by Russia and later, after the bloodiest war of modern times, by both Russia and her foe. Most complicated political interventions have originated from trifling financial questions; whole provinces have been snatched away through railway contracts. Concessions have been made and re-made, loans have been concluded and defaulted; all at the cost of China. The recollection of these actions of the foreign powers firmly establishes in the minds of the Chinese a conviction that every foreign railway enterprise marks some deep laid scheme of political aggrandizement at China’s expense. It is this conviction which leads the people to oppose foreign loans.

¹ Italics are mine.

The people also regard the conduct of the stronger countries in dealing with the weaker ones as China's warning. They cannot forget the downfall of Egypt and the embarrassment of Portugal, Venezuela, Nicaragua, Turkey, and Persia, which were due to to the diplomatic interposition and actual armed intervention on purely financial grounds. The leading papers in China again and again emphasize the fact that it was by building a canal that England claimed a moral right in Egypt which even the jealous powers of Europe could not deny, and that it was by incorporating a trading company she subdued India. Temporary interventions for the protection of their interests in China can more easily assume a character of permanent occupation than in any other country. These and many other similar unfortunate facts lead the Chinese to conclude that foreign railway loans and foreign aggression go side by side.

Again the terms of the loans are often objectionable. In addition to the high rate of interest and extravagant guarantee, certain powers invariably exact as many special privileges as seem permissible in the face of international jealousy. They insist in nearly every railway loan that the engineers, accountants, and comptrollers must be their subjects, that the power to judge and receive material must rest in their hands, and that material itself must also be bought from their merchants. In short these powers in trying to lend money to China, want to get everything which they can possibly lay claim to through the loan.

Even then things would not have been so bad were it not for the past record and present attitude of some of the powers in such matters. Since our own people are behind in technical training, we certainly cannot object to the employment of foreign engineers and accountants, and since our own manufactures are not sufficient, we certainly want to use foreign material. What justification can the Chinese find in opposing these stipulations? The answer becomes self-evident when one is acquainted with the real meaning of such provisions and knows what they involve. Such stipulations may not amount to very much in this country where the government can enforce its will, but they become very cumbersome and objectionable in China. Besides the polit-

ical responsibilities, there is a constant fear of intervention arising out of mere pretexts, mis-interpretation of phraseology, injuries to persons and demands for indemnities, which are so frequent in China. Aside from the numerous hardships arising out of such employment of foreign administrative officers and the obligatory purchase of foreign materials, etc., it may be well to examine what the compulsory employment of foreign engineers means.

Under the protection of extra-territoriality foreigners in China enjoy special advantages. They cannot be subjected to the local authorities, but "they carry their own law with them and are accountable only to their consuls, who may be thousands of miles away." Under such circumstances, if the engineer were employed entirely by the Chinese, he would feel the obligation of carrying out the wishes of his employers; but when he is employed under "treaty rights," being accountable only to his own government, he feels no responsibility to the Chinese government, which pays for his services but cannot control his actions. As if fully conscious of his irresponsibility and of his safety under the protection of extra-territoriality, he at once assumes an air of insubordination and arrogance. He often seems to say that it is below the dignity of an American citizen or an European subject to listen to any thing which a "Chinaman" may tell him in regard to local customs and traditions. He seems to think that it is inconsistent with the modern sense of liberty to observe any of the "heathen" rules of conduct. While at work he often proves a nuisance to his Chinese superiors and a tyrant to his subordinates. Coolies are often caned and kicked without the least provocation. Happily, however, the Chinese do not understand what utters from his lips! When he feels through with his work, he with his 'mushroom-looking' hat, 'saddle-like' coat, and 'grass-hopper-legged' trousers, often sets out with his gun to enjoy himself by shooting whatever comes in his way, chickens, dogs, cats, and what not. Near the treaty ports his appearance is not so objectionable; but in the interior where the railways are built his features and conduct often create great consternation among the villagers. I have heard of cases in which foreign engineers have actually been called the genuine 'missing-link' and mobbed

on account of their queer appearance. It is too long and unpleasant to tell what follows such an incident. Suffice it to say that it often results in disorder which is followed by the much-dreaded but 'tame' practice of diplomatic intervention ultimately resulting in the payment, by China, of heavy indemnities, and, perchance, the "chopping off" of three or four heads for every forefinger lost or injured. Thus in some instances the Chinese government has been compelled to station a company of soldiers with drawn bayonets to insure the safety of the foreign engineer wherever he goes. When these unfortunate incidents are fresh in the minds of the Chinese, what else can be expected besides opposition?

The controlling powers exercised by the engineers under the loan agreements is equally objectionable. As in the Shanghai-Nanking case, the engineer has "practically control over the disbursements. Only favored British manufacturers were permitted to tender for supplies, and only British material was recommended and purchased" With engineers in charge specifying standards prevailing in Great Britain, the logical end is the monopolization of the Chinese market for British manufacturers.

It is not, however, for any altruistic reasons of opening her market to all her neighbors that China objects to such monopolization; it is on account of the extravagance and unnecessary expenditure resulting from such control. The Peking-Kalgan road, which has been repeatedly called the most difficult railway engineering feat in the country cost only \$41,000 per mile under Chinese control; while the Shanghai-Nanking line, which involves far less engineering difficulties, cost over \$53,000 per mile, under British control. After reviewing the per-mile costs of a number of other railways, an observer concludes that these figures "tell the story that China is forced to expend much more for her foreign built roads under the restricting terms of loan agreements than she would if left untrammelled in the supervision and control of expenditures. China could more than double her railway building if unmolested in the administration of her affairs." This remark vividly portrays the immediate economic effects of foreign interference.

Under the provisions of loan agreements based on the foregoing principles, China has been deprived of authority in her own affairs. General suspicion and indignation have been created all over the country, which on the one hand greatly hinder China from availing herself of the much-needed foreign capital in the development of her resources and on the other hand prevent the commercial world from enjoying China's opportunity. While Chinese nationalism and Chinese conservatism have something to do with this hostile attitude of the people, these by no means form the only or even the leading cause of such an attitude. When the Chinese people see the intrigues of the powers behind the loans and the interventions on all sorts of pretexts which usually take place soon after the conclusion of a loan, and when they see that provinces are actually snatched away through the instrumentality of railway loans, they cannot help opposing further loans. They may have gone too far and become unduly cautious in some cases; but there is little doubt that they find much justification for such fears in the acts of some powers. In spite of the one-sided stories we hear of the heathen Chinaman, "he is," as said an American writer, "reasonably patient and tolerant If he opposes the schemes employed by the powers whom he regards as "grasping, domineering intruders he often has good reasons to do so."

In order to remove such opposition so that China may develop her resources quickly with foreign capital and that foreign countries may share in her development, both sides have to remove their irritating causes. "China's credit is good." Her finance is reorganizing and the standard of her officials is rapidly improving. Moreover, the government greatly desires to ameliorate the condition so as to be able to make use of foreign capital. On the other hand, the powers will have to modify their attitude and change their practice in China, if they desire to make the best out of the opportunities in the Far East. International morality, fair play, the maintenance of the open door, and the real and lasting interest of the world demand that China should be permitted to have exclusive and complete control of her loans and railway concessions.